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ECONOMIC AND ENVIRONMENTAL QUESTIONS: REPORTS OF SUBSIDIARY BODIES, CONFERENCES AND RELATED QUESTIONS

Energy

Statement submitted by the International Chamber of Commerce, a non-governmental organization in consultative status with the Economic and Social Council, category I

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 23 and 24 of Economic and Social Council resolution 1296 (XLIV) of 23 May 1968.

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The International Chamber of Commerce (ICC) offers the following comments on the draft resolution recommended by the Committee on New and Renewable Sources of Energy and on Energy for Development for adoption by the Economic and Social Council.

I. INTRODUCTION

As the world business organization, ICC has been active in a number of important energy forums concerned with energy policy, including the United Nations Conference on Environment and Development, the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change (INC) and the World Energy Council. Representing over 7,500 companies and industry organizations worldwide, ICC has identified the advancement of environmental management and energy efficiency as a priority, in particular through the ICC Business Charter for Sustainable Development.

Advancing sustainable development, understood as economic growth, technological innovation and improved environmental management, is among the

highest priorities of business; energy policies must support and further sustainable development. This is particularly important given that as pointed out in the draft resolution, the combined increase of world population and economic growth will continue to increase the need for energy - especially in developing countries - in the years to come. To make progress towards sustained economic development, countries must have access to stable and secure sources of energy.

Although ICC favours exploration of new and renewable sources of energy, we believe that no single energy source will be able to meet the rising demand for energy worldwide. All sources of energy will be required - oil, gas, coal, nuclear power and renewables, including solar power, wind, hydroelectricity and biomass - as well as improvements in energy efficiency. However, rising energy demand implies continued and widespread use of existing and well-established forms of energy for the foreseeable future because prospects are not likely that alternatives to these well-established energy sources will be able to meet a substantial proportion of the demand in the near term.

II. PRIORITIES

The ICC supports the following elements of the draft resolution:

The draft resolution's four options. ICC finds that the four options set forth in the draft resolution as a framework for developing a new energy path point in the right direction. In pursuing these options, ICC believes that countries should enjoy flexibility in moving along these paths, setting priorities and choosing approaches appropriate to each national situation.

Voluntary programmes. Business is - and will continue to be - an active partner in promoting more efficient energy development and use, education, technology cooperation and capacity-building. Various voluntary industry environmental and energy initiatives, such as the ICC Business Charter for Sustainable Development and the American Petroleum Institute's Sustainable Techniques for Environmental Progress (STEP) Program, set forth principles and encourage measures looking to greater efficiency of resource and energy use.

By the same token, voluntary agreements between business and Government should be explored and pursued as cooperative approaches which foster better energy development, management and efficiency without undue economic impacts.

ICC wishes to note its concerns about the following elements of the draft resolution:

Setting targets and timetables (para. 1 (b)) and market intervention (paras. 1 (h) and 2 (d))

Governments should generally avoid setting timed targets or attempting to compromise the working of the market through market intervention. Determining meaningful and realistic targets and timetables is a difficult process at best, and one that can raise expectations which cannot be fulfilled. Given different national priorities and levels of development, such targets and timetables,

should they be deemed essential, should be the primary responsibility of national Governments, and should not take the form of a single global target to be achieved by all countries. Governments should recognize that the process of technical evolution will require a long lead time in establishing new energy sources or technologies based on renewable or other more environmentally benign technologies or systems.

Instead, in pursuing increased energy efficiency, Governments should favour cost-effective, economically beneficial and market-based actions such as:

Voluntary approaches;

Financial and other types of incentives;

Joint implementation.

Any government policy approach should allow maximum flexibility in voluntary energy efficiency or conservation measures, permitting each participant to use the most economical means of achieving the goals. Governments should avoid new command and control measures or economic instruments which unduly burden consumers, or detract from global competitiveness.

Regarding subsidies, Governments should, as called for in paragraph 1 (e) of the draft resolution, remove direct and indirect permanent subsidies to specific sectors or activities because they hinder free trade and distort the market. However, government policies designed to assist all producers and manufacturing sectors of the economy to meet energy efficiency objectives would not be considered a trade-damaging subsidy under current GATT rules.

Internalization of social costs (para. 1 (f))

As regards the application of full-cost pricing or internalization of environment and/or social costs, ICC believes that, in part because of the difficulty of identifying and putting an objective value on the use of environmental resources and several other social costs, there are practical limits to the extent to which the concept can be implemented at present. More analysis is required and agreed methodologies need to be developed before it can be broadly applied. In any case, its implementation should proceed gradually and in stages. In the meantime, many companies have already begun to conduct environmental and energy life-cycle assessments of products, and, based on those assessments, "design for environment".

Technology cooperation (paras. 1 (h), 2 (d) and 7 (b))

The role of companies in developing more energy efficient, less wasteful, more environmentally friendly sustainable technologies, and then disseminating these technologies through technology cooperation is largely neglected in this resolution. Governments should promote, support and stimulate inter-company technology cooperation, joint ventures, trade and investment, and capacity-building to provide a beneficial business climate which will foster improved business practices relevant to energy production, conservation and use. It

addition, Governments should recognize the significant amount of beneficial intra-company technology cooperation (within a large multinational company, between its facilities in developed and developing countries) which occurs in the course of day-to-day business.

The recommendation in paragraph 7 (b) concerning the transfer of technology should be read in the context of the balanced language contained in chapter 34 of Agenda 21 concerning the protection of intellectual property rights. In addition, international cooperation between Governments, international organizations and corporations needs to be strengthened to encourage the development of new technologies to the point where they are economically feasible.

III. CONCLUSION

There is much still to be done by enterprises and industry associations to promulgate more efficient and environmentally friendly energy sources, usages and technologies, as well as management methods and international standards. Likewise, there is more that Governments can do, particularly in developing countries and countries in transition, to provide the right environment - including local infrastructure and regulatory framework - and incentives for companies to enhance their overall energy and environmental management.

Governments should recognize and take into account the achievements of industry in promoting energy efficiency and reducing environmental impacts of processes and products. Voluntary approaches can be more efficient than traditional command and control regulation, because they motivate industry to innovate in seeking out cost-effective and efficient solutions without distorting markets signals or international trade. ICC calls on Governments to closely consult with industry when formulating policies to promote growth and stimulate investments in technology so that the most effective market environment is created, and to establish broad energy and environmental goals. By favouring incentives, Governments motivate producers and consumers to find the best way to achieve progress through entrepreneurial initiatives and innovation.

ICC believes that many of the recommendations in the draft resolution could help guide the national action plans of parties under the United Nations Framework Convention on Climate Change and should be brought to the attention of both INC and the Conference of the Parties.

ICC is committed to working with the United Nations and national Governments to develop rational, cost-effective and consistent policies that will promote energy efficiency, foster economic growth and protect the environment.